

SOME REMARKS ON THE TAXATION OF THE CAPE COLONY.

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It is more than five years ago since I was permitted to lay before this Society some figures regarding the statistics of the Colony. I think that few will dispute, that at the present time a somewhat similar examination into our resources is peculiarly needed; and I am sure that there are none who will not join me in deploring that our material at hand for doing anything of the kind is so lamentably scanty. We stand almost alone among the more important British Colonies in our neglect of statistics, and in our lack of that kind of information without which it is almost impossible to discharge many of the functions of Government. We have no census or bare enumeration even of the population, that has the faintest pretension to accuracy, to say nothing of any means of forming any estimate of the value and the sources of our productions; and quotations are often made in support of legislation, and perhaps measures are founded on data, which are worse than merely valueless, in being positively misleading. Such ignorance might be tolerated at a time when our burdens were light, and when we were advancing so fast along the high road of prosperity that a mistake here or there was of little consequence; but at a time like the present, when the hand of taxation is heavy upon us, and when the question of ways and means is most uncomfortably prominent, a neglect of statistical research increases to a very sensible degree the inconvenience and distress which result from burdens badly adjusted, or from financial measures undertaken in haphazard ignorance of their probable effect.

I make these remarks, not with any intention of imputing blame; for I am afraid that a distribution of it would be pretty impartial; but because I wish to take the opportunity of recording the opinion, which will, I hope, be endorsed by the Society, that one of the most pressing necessities of this Colony, and one of the measures that is indispensable to its recovery from the present depression, is a more careful attention to statistics of every kind, and especially to comparative statistics, which will enable us to measure, not only our own position with regard to the past, but also our relation to other countries and colonies. The present time is very notable as marking a transition stage in the economical progress of the Colony which has affected, and must affect it in every direction commercially, financially, and perhaps more than either in that branch of Government which consists in adjusting the burdens of taxation. I will try to explain briefly what I mean. We have now just finished those great public works begun in 1873, which, while there will be very few found to contest their utility and necessity, have undoubtedly added enormously to the public liabilities of the country. It is to be hoped that we have also come to an end of those wars which form the other great cause of our debt. Speaking generally, we may say that the era of borrowing, which has been so marked a feature of our economical progress, has come to an end; and that in the immediate future we shall have to do without that fictitious addition to the colonial resources which springs from borrowed money, and we shall have to set ourselves resolutely to the more unpleasant task of providing for

the interest on our liabilities. The effect which our wars have had on the Colonial Exchequer is easily estimated from a brief statement of the figures involved. Ten years ago, the debt, including the money raised for local bodies under the guarantee of the general Government, stood at £2,484,000—rather less than 2½ millions. At the end of 1884 it stood at £20,804,000 or nearly 21 millions, in other words, during ten years the sum of 18 millions sterling has been added to the purchasing power of the country during that period by means of borrowed money—and when it is added that more than half of this amount, or £9,400,000, was raised and expended between 1880 and 1884, in four years, it will afford no matter for surprise that the cessation of this adventitious aid should create a wide-felt economical disturbance. In connection with the expenditure of this money another point deserves notice. As is well known, the greater portion of our loans has been contracted for expenditure in the construction of our railways. Valuable, nay, indispensable as these means of communication are to a Colony like ours, their completion has effected a great revolution in the distribution of wealth and of purchasing power in the country. We know that a sum of more than one million sterling is now collected as railway revenue, for carriage of goods and passengers; and even allowing for the natural increase arising from the improvement and the regularity of transit, it is possible that a sum not far short of this amount, which used to be paid for carriage and bullock-wagon, and the purchase of oxen, horses, mules and forage, has been diverted from the pockets of the farming community. No one will dream of putting forward the construction of railways as a matter of regret, or of undervaluing the great part which they will play in the development of the country; but, in estimating the causes of depression, it is necessary to take into account the transference of this large sum from a certain class of the agricultural community who find their purchasing power seriously reduced. The consumer benefits but for a time, and, until matters have adjusted themselves, there is a most undoubted pinch, to say nothing of the change in the mode of business, arising out of regular and rapid communication, which has also caused a disturbance in the older centres of trade. Added to the causes of depression, arising out of the increased burdens on the Colonial Exchequer, the cessation of the influx of borrowed capital, and the transference of purchasing power from a large class of the community, we have the very serious and general fall in every staple product of colonial export. There is no need to enlarge on this painful subject, which is only too well known to all of you. Any one of the causes mentioned would, pending the restoration of an equilibrium, have caused serious inconvenience and distress; but when all of them have come together “in battalions,” it is no wonder that the finances of the Colony, both public and private, have been deranged, and that a crisis has supervened at least as severe as those which similar causes have produced at former times in other communities.

It is now, when the necessity for meeting the public burdens calls for sacrifices from every section of the community, that criticisms may be usefully employed in drawing attention to a subject of which everyone must allow the importance, in the hope that examination and study may result in an apportionment of the public burdens in a manner as little disadvantageous as possible to the general interests

of the community. I am going to call your attention this evening to the branch of the subject which has at the present time a painful interest for everyone of us, I mean the taxation of the Colony; and I shall attempt a comparison in that respect between our condition and that of some other countries. Any deductions from the figures which I shall submit to you, any attempt to describe the effect of our system on the prosperity of the country, or any suggestion for changes in our fiscal measures belong more to the sphere of politics, and would by the rules of our Society be inadmissible on the present occasion. I will venture to add that they are all deserving of far more attention than any one seems to have devoted to them at present.

The first table which I shall lay before you is a return showing the proportion of taxation to the gross revenue of the Colony, and the proportion of revenue raised by Customs, both to the general revenue and the taxation of the country. The second table consists of similar figures for Great Britain and for certain colonies. As you are aware, the revenue of this Colony, in common with every country, and particularly of other colonies, is made up of many items, which can scarcely be considered as imposing a burden upon the community, but are rather in the light of payment for services rendered. Of this class are the Post Office, the Telegraphs and the Railways of the country, which are really commercial departments where the Government, for the general convenience, sells a certain article at a moderate price. The revenue from lands and mines in the same way comes under the head of the National Estate, which is administered by the Government for the use of the people. Taxation in this Colony is comprised under nine heads:—1, Customs Revenue; 2, House Duty; 3, Transfer Duty; 4, Auction Duty; 5, Succession Duty; 6, Stamped Licences; 7, Blank Stamps; 8, Bank-note Duty; 9, Excise Duty. Few British colonies have such a list; and in such matters as Auction Duty and Transfer Duty, I am inclined to think we have a monopoly. The Tables are as follows:—[See Tables A and B.]

It will be noticed that the amount raised by taxation was higher in 1880-81 slightly, and in 1881-2 considerably, than during the subsequent years, the increase being in the amount of Customs Duty, which accrued from the large purchasing power arising out of the influx of borrowed money. The amount of taxation exclusive of Customs was, however, higher last year than on any previous occasion. It is also higher than in any Australian colony, of which I have been able to procure the figures. The percentage of Customs to revenue raised by taxation, it will be noticed, has decreased until it is lower than that of any Australian colony, though it will be noticed that it is more than double that which the same source of revenue bears in Great Britain. The figures contained in these tables cannot alone be taken as a measure of the burdens which are imposed upon any community. Where, as is the case in most colonies, a large proportion of the revenue is raised from Customs duties, it is manifest that the amount of taxation may be swelled from the very prosperity of the country, and that the index of the burdens of the people, as shown by a heavy taxation, may synchronize with a period of extreme prosperity. I shall endeavour to bring out the significance of the Customs revenue in some other tables. Before doing so, however, it may be worth while to quote a return, showing the amount of taxation per head of population. The figures for the Australian

colonies, for the later date, are from the *Australasian*, those for the earlier one are from the *Australian Year Book*, published by the Government Statist of Victoria. It is worth noticing that in Queensland, which is taken to be a prosperous colony, the taxation per head is higher than the very heavy rate in New Zealand, where the finances exhibit considerable embarrassment. In comparing the figures for Great Britain, it must not be forgotten that a large part of the taxation which in colonies is assumed by the general Government, is in that country thrown on localities; and any comparison of taxation would not be complete without taking this into consideration. I regret that no materials exist in Cape Town for making this comparison, and it is still more unfortunate that there are no figures from which we can venture to estimate our own position as compared with other colonies. We are only able to give a rough guess at the number of our population. I think, including Griqualand West and the Transkei, this may be taken to be 1,250,000, of whom 340,000 are European and 910,000 are native. Taking certain items of our taxation, such as Customs, Excise, and House Duty as common to the whole population, it would for these three heads, dividing the assumed population, give for 1884-1885—

Customs	£1,073,939
House Duty	90,068
Excise	94,671
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	£1,258,678

—rather more than 20s. per head, and taking the remainder as being paid exclusively by the European community, viz. :—

Transfer Duty	£93,551
Auction Duty	18,592
Succession Duty	12,999
Stamped Licences	125,542
Blank Stamps	123,993
Bank Note Duty	9,980
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Total	£384,657

we get per head of European taxation, £1 2s. 6d., which would work out at a taxation of £2 2s. 7d. per head for each European, and about 20s. for each native. But the assumptions in any attempt to arrive at a result are so large, that I feel I ought to apologise for having taken up your time by this attempt to find a basis for comparison.

I will now go on to a table which shews the proportion borne by the Customs duties to the imports entered for consumption, which is, I think, deserving of careful consideration. I should explain that the column of merchandise only refers to the imports, less Government material, which afford, I think, a more legitimate basis for judging the effect of any tariff than the gross sum of imports, including such material. [See Table C.]

The figures in this table speak for themselves, and set forth, with a clearness which is almost startling, the effect of our taxation through the Customs on the means of the community. It will be noticed that while in 1877 the import amounted to 13·6 per cent. of the value of the goods entered for consumption, in the last financial period this

proportion was raised to no less than 23·4 per cent.; or, in other words, nearly one-fourth of the gross value of the goods had to be paid in taxes—a result without example in any other part of the world except the United States, where percentage amounted in 1884 to 29 per cent., but where in estimating the burden imposed by such a percentage we have to take into account the natural resources of the country, and its marvellous productive capabilities. The only other countries which approach the Cape Colony in the severity of the incidence of their tariffs are Portugal, with 22 per cent., and New Zealand, with 18·3 per cent. In respect to the latter, it will be observed that we have caught up and passed it in the last few years in this respect. In Great Britain, a reference to Table A will show that though nearly one-fourth of the whole taxation is derived from Customs, the burden only amounts to one-twentieth of the gross value of imports, while in the Cape we raise nearly one-third of our revenue by this means, but it amounts to almost one-fourth of the gross value of goods imported. I have selected Victoria and New Zealand as colonies for comparison, as their tariffs are notoriously high; and I have given the last two financial periods in this Colony in detail, in order to show the percentage more clearly.

It is, however, when a closer investigation is made into the details of our Customs and revenue, that the full comparison with other colonies is brought to light. There are certain articles, as you know, which are in every country, except perhaps our own, considered legitimate subjects for taxation, and to which in financial difficulties, the Ministers in charge of the finances naturally turn. I refer, of course, to Drink and Tobacco. In England actually most of the revenue is derived from this source; and in the Australian colonies, a very large portion is so derived, and I have prepared a table showing the effect of the taxation of these articles upon the Customs revenue in our own Colony, as compared with that in Great Britain, New Zealand, and Victoria. I am afraid that the result rather leads one to the conclusion that in the Cape, the ordinary consumer is crushed, while the drinkers and the smokers are treated with a tenderness not usually shown by the tax-gatherer to that fraternity. [See Table D.]

I think that I am justified in saying that the figures contained in this table are striking. The true measure of the burden of our Customs taxation is to be found in the last column, which shows the percentage which the duty collected, less the duty on Intoxicants and Tobacco, bears to the value of merchandise, less the value of such articles. It will be seen that in 1877, this amounted to 12·2 per cent., while in the last financial period, it had reached the large proportion of 21·1 per cent. Comparing this result with Great Britain, it will be noticed that the taxation in that country raised by means of Customs, except that derived from Intoxicants and Tobacco, only amounted to 1·5 per cent. of the articles taxed—as against 21·1 per cent. in this Colony. If, therefore, the British tariff was equal to our own, and the value of the imports remained the same, the revenue derived would amount to the astounding sum of nearly 82 millions, or considerably more than the whole sum now raised by taxation in Great Britain. The comparison with the Australian colonies of Victoria and New Zealand is perhaps even more surprising, as showing that the latter colony raises no less than 40 per cent. of its Customs revenue from the source above indicated, which has the

effect of reducing the burden on the general consumer in this country to 10 per cent. as against 21 per cent. in the Cape. In connection with and following this subject, I have prepared a comparative table showing the amount of revenue raised from Drink and Tobacco in this Colony with the revenue raised in certain countries from the same articles, and also as compared to the whole revenue raised by taxation. For Great Britain and this Colony the figures are complete, and include Customs, Excise, and Licences. In Victoria the figures include Customs revenue and Excise on liquor and licences, the licences being paid to the municipal authorities. In New Zealand the figures include Customs revenue and beer duty. [See Table E.]

It will be seen from the return that, while in Great Britain Drink and Tobacco contribute more than half the taxation, in this Colony they only pay 17·8 per cent. While, as compared with Victoria and New Zealand, not only is the percentage to the revenue raised by taxation infinitely smaller, but the gross amount is extremely small when the number of our population is taken into consideration, for I am afraid that it is a melancholy truth that, whatever may be his producing power as a unit of population, as a consumer of these articles, the black man ranks pretty nearly as high as the European. I have tried to deduce the comparative amount of revenue per head raised from Drink and Tobacco, and for this purpose I have taken our population at one million, excluding the native population in the Transkei. The population of Victoria and New Zealand have been reduced from that given in Table C to correspond with the date to which the returns refer. No reduction, however, which can be made in the figures of our total population on account of the native element will enable us to show any other than a most meagre result as compared with New Zealand, which, with a population far inferior in numbers, raises a gross sum of considerably more than double the amount which the Cape Colony does, from the taxation of Intoxicants and Tobacco.

I have now dealt with one branch of the subject, which I proposed to your attention this evening, and I have only entered, as it were, on the fringe of the great question. To my mind, however, the figures which I have brought forward this evening are deserving of the study of everyone who wishes to see this Colony get richer instead of poorer; for whatever deductions we may make from them—and, as I said at the outset, it is not my desire on this occasion to do so—we must all agree that, from a comparative point of view, we cut rather a sorry figure. It is much to be desired that the questions of what is popularly called “direct taxation” and “local taxation,” about which there is a good deal of loose talk, should be taken up by some member of the Society, and worked out on a comparative basis in the dry light of figures and statistics.

I think that the subject would be both important and interesting; and I feel sure that I may venture to add, from the slight acquaintance that I have been able to make with it, that the results would surprise a good many. I have to thank you this evening for the patience with which you have listened to what has been, I fear, rather a dry exposition.

TABLE A.—A RETURN SHOWING PROPORTION OF TAXATION TO GROSS REVENUE, ALSO PERCENTAGE BORNE BY CUSTOMS TO REVENUE RAISED AND TAXATION FROM 1878.

Date.	Gross Revenue.	Revenue from Taxation.	Percentage of Taxation to Revenue.	Revenue from Customs.	Percentage to Revenue.	Percentage to Taxation.
1877-1878	£ 1,565,418	£ 976,515	63	£ 770,616	49·3	78·9
1878-1879	2,082,887	1,281,928	61·5	911,490	43·7	71·1
1879-1880	2,522,023	1,412,599	56	972,477	38·5	68·8
1880-1881	3,009,962	1,665,825	55·3	1,184,074	39·3	71·1
1881-1882	3,524,858	1,900,428	53·9	1,341,481	37·4	70·6
1882-1883	3,304,017	1,639,547	48·3	1,106,443	33·5	67·4
1883-1884	2,949,950	1,364,882	46·2	898,185	30·4	65·8
1884-1885	3,321,957	1,643,335	49·5	1,073,939	32·3	65·3

TABLE B.—COMPARATIVE RETURN SHOWING SIMILAR FIGURES FOR GREAT BRITAIN AND CERTAIN COLONIES.

	Date.	Gross Revenue.	Taxation.	Percentage to Revenue.	Customs.	Percentage to Revenue.	Percentage to Taxation.
Great Britain	Year ended March 31, 1885	£ 88,043,000	£ 73,796,000	83·84	£ 20,321,000	23	27·5
Victoria	1881-82	5,592,362	2,317,706	41·44	1,694,652	30·3	73·12
	1883-84	6,228,242	2,339,267	37·55	1,883,238	30·2	80·5
New Zealand	1881	3,757,493	1,937,715	50·66	1,417,392	37·7	73·14
	1884	3,707,488	1,869,496	50·4	1,375,000	37·1	73·5
Queensland	1881-82	2,102,095	815,765	38·38	641,406	30·5	78·62
South Australia	1881-82	2,087,076	653,864	31·33	538,669	25·8	90·22

TABLE C.—RETURN SHOWING AMOUNT OF TAXATION PER HEAD OF POPULATION.

	Date.	Population.	Per Head.	Figures for 1881.
			£ s. d.	£ s. d.
Great Britain ..	31st March, 1885	35,950,000	2 1 1	2 12 8
Victoria ..	1884	961,276	2 9 10	2 6 5
New South Wales ..	1884	921,268	2 8 1	3 11 1
Queensland ..	1884	309,913	3 13 0	1 18 7
South Australia ..	1884	312,781	1 16 7	3 16 3
New Zealand ..	1884	564,304	3 7 8	..
France ..	1881	..	1 15 0	..
United States ..	1879-80	..	1 5 7	..

RETURN SHOWING PROPORTION BORNE BY CUSTOMS DUTIES TO IMPORTS ENTERED FOR CONSUMPTION.					
Calendar Year.	Total value of Goods entered for Consumption.	Merchandise only.	Customs collected.	Per cent. to Total.	Per cent. to Merchandise.
	£	£	£		
1877 ..	5,028,141	4,760,180	649,908	12.9	13.6
1878 ..	6,032,136	5,871,046	864,756	14.3	14.7
1879 ..	6,882,605	6,780,858	958,229	13.9	14.1
1880 ..	7,546,779	7,367,048	1,035,130	13.7	14.05
1881 ..	9,029,246	8,778,162	1,291,232	14.3	14.8
1882 ..	9,256,960	8,462,771	1,253,820	13.6	14.8
1883 ..	6,392,481	5,471,008	963,403	17.6	17.6
1884 ..	5,006,021	4,696,143	1,017,667	20.3	21.7

TABLE C.—(continued).—SIMILAR RETURN FOR LAST FINANCIAL PERIODS AND QUARTERS OF YEAR.

Date.	Total Value.	Value Merchandise.	Customs.	Per cent. to Total.	Per cent. to Total.
Quarter ended 30th September, 1883	£ 1,357,710	£ 1,189,081	£ 213,450	15.7	17.9
31st December, 1883	1,310,186	1,104,668	225,715	17.2	19.4
31st March, 1884	1,285,304	1,160,553	827,162	17.7	19.6
30th June, 1884	1,201,677	1,108,493	231,588	19.2	20.9
Financial Year	5,154,877	4,622,795	897,815	17.4	19.4
Quarter ended 30th September, 1884	1,264,726	1,215,829	278,911	22.0	22.9
31st December, 1884	1,254,314	1,211,268	280,035	22.3	23.1
31st March, 1885	1,184,362	1,144,106	268,372	22.7	23.4
30th June, 1885	1,071,776	997,144	245,374	22.9	24.5
Financial Year	4,775,347	4,568,347	1,072,692	22.4	23.4
	Value Imports.	Customs.	Percentage to Imports.		
Great Britain, year ending 31st March, 1885	£ 390,018,569	£ 20,321,000	5.2		
Victoria, 1883	17,743,846	Merchandise only.	Customs.	Per cent. to Total.	Per cent. to Merchandise.
Less Border Traffic..	2,358,834				
New Zealand, 1883	15,385,012	14,618,964	*1,797,792	11.6	12.3
	7,974,038	7,707,038	1,414,182	17.7	18.3

* Less tax on stock collected by Customs.

TABLE D.—RETURN SHOWING REVENUE DERIVED FROM CUSTOMS EXCLUSIVE OF DUES ON INTOXICANTS AND TOBACCO.

Date.	Value Intoxicants and Tobacco entered Consumption.	Amount of duty thereon.	Per cent. to Customs Revenue.	Per cent. Customs less duty II, to Imports less value I.	Per cent. Customs less duty to Merchandise less value.
1877 ..	£ 309,983	£ 105,610	16.2	11.5	12.2
1878 ..	300,874	151,601	17.5	12.4	12.8
1879 ..	355,023	150,383	15.7	12.4	12.6
1880 ..	377,879	169,221	16.3	12	12.4
1881 ..	492,533	225,140	17.4	12.4	12.8
1882 ..	471,770	224,863	17.9	11.7	12.8
1883 ..	341,245	195,190	20.2	12.6	15
1884 ..	202,497	154,246	15.1	18	19.2
†Financial period 1884-'85 ..	180,837	145,624	13.6	20.2	21.1
				Per cent.	Per cent.
Great Britain, 31st March, 1885 ..	..	£ 10,134,132	£ 14,752,549	72.6	1.5
Victoria, 1883 (1) ..	..	975,555	665,189	37	8
New Zealand, 1883 (2) ..	..	515,000	690,061	40.2	10

(1) Victoria Imports, less Border traffic, £15,385,012. Customs, less stock-tax, £1,797,792.

(2) New Zealand Imports, less Government material, £7,707,038. Customs, £1,414,182.

TABLE E.—RETURN SHOWING REVENUE RAISED FROM INTOXICANTS AND TOBACCO, IN THE CAPE AND CERTAIN COUNTRIES.

	Customs.	Excise.	Licences.	Total.	Per cent. to Taxation.	Per Head.		
						£	s.	d.
Cape Colony, 1884-85	£ 154,624	94,671	52,360	£ 292,655	17·8	0	5	10
Great Britain, 31st March, 1885	14,752,549	22,532,221	1,864,803	39,149,573	53	1	1	8
Victoria, 1883	665,189	123,593	..	788,782	33·7	0	17	2
New Zealand, 1883	690,061	55,000	..	745,061	40	1	8	2